

GAO

Testimony

For Release on
Delivery Expected
at 9:00 a.m. EDT
Wednesday
April 18, 1990

SMALL BUSINESS: Development Centers Meet
Counseling Needs of Most Clients

Statement of
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Before the
Committee on Small Business
United States Senate



Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss our report¹ on the Small Business Administration's (SBA) Small Business Development Center (SBDC) program, prepared at the request of this Committee. We are glad to assist the Committee in its deliberations on reauthorizing federal funding for this program.

In summary, we found the following.

- Most clients counseled were satisfied with the assistance they received. In addition, most clients would use program services again if they had similar needs in the future and would recommend the program to others.
- The SBDC program offered a variety of services to clients, but the primary emphasis was given to counseling and, to a lesser extent, training.
- Most clients who received program counseling were white males with at least some college education. Further, most clients were in business when they contacted the SBDC program, and were in or planned to be in the retail or service industry.
- Federal funding from 1977 through fiscal year 1990 totaled about \$298 million. Funds increased annually from \$360,000 for 9 centers in fiscal year 1977 to \$50 million for 56 centers in fiscal year 1990. For program years 1986 through 1988, nonfederal amounts represented about 58 percent of the total program funding and were primarily contributed by colleges and universities.

¹Small Business: Development Centers Meet Counseling Needs of Most Clients (GAO/RCED-90-38BR, Nov. 22, 1989).

-- To improve program administration and operation, SBA has initiated action to determine the feasibility of a multiyear approval process. We believe this change from annual approval offers the potential to reduce administrative costs. Additionally, SBA conducts on-site reviews at the centers, which appear useful to both SBA and center directors.

Information on client counseling came from responses to questionnaires sent to a projectable sample of 997 counseled clients. Information on program operations, including general characteristics, staffing, funding, and administration, came from responses to questionnaires sent to all center and subcenter directors responsible for implementing the program at the state and local level. In addition to using questionnaires, we conducted follow-up interviews with center directors in five states. We also interviewed program officials and obtained funding and other program statistics at SBA headquarters.

PROGRAM BACKGROUND

The SBDC program was started in 1977 to provide business-related counseling, training, and specialized assistance to strengthen the small business community and contribute to the economic growth of the communities served.

The program is implemented at the state and local level through a nationwide network of Small Business Development Centers and Subcenters, which are usually operated by colleges or universities. Centers operate on the basis of annual cooperative agreements with SBA to deliver services within a state or other designated geographical area. As of March 1990, the program included 56 centers and about 560 subcenters operating in 49

states, the District of Columbia, Puerto Rico, and the Virgin Islands.

Centers receive program funding from both federal and nonfederal sources. To be eligible for federal funds, centers must provide an equal matching amount from nonfederal sources of at least 50 percent cash and not more than 50 percent indirect costs and in-kind contributions. Centers and subcenters coordinate their efforts with a wide range of other organizations and programs that address small business needs.

CLIENTS SATISFIED WITH PROGRAM ASSISTANCE

Our survey showed that SBDC clients received counseling on a variety of topics. Seventy-six percent received counseling on general planning assistance, 48 percent on technical matters, and 40 percent on financial matters. (See attachment I.) Overall, 69 percent of the clients were satisfied with the counseling they received and 17 percent were not. In addition, 76 percent indicated they would contact the program for future help if needed, and 82 percent would recommend the program to others. (See attachment II.)

Results of our survey also showed that 63 percent of the counseled clients received all or most of the assistance they wanted. (See attachment III.) Most clients received relatively few hours of actual counseling. For example, 60 percent spent 3 hours or less working with program staff. Further, clients were satisfied with the time required to arrange their first meeting with program staff, and with the overall time taken to get assistance.

Sixty-four percent of the counseled clients indicated that they were satisfied with the kinds of assistance received. Most

considered the assistance they received to be useful in meeting their business-related needs and believed that the assistance increased their business-related skills and knowledge.

PROGRAM EMPHASIZES COUNSELING

Center directors reported to us that their programs provided a wide range of services to clients such as counseling, training, market analysis, and library resources. However, almost all of the centers gave their greatest emphasis to counseling. In 1986 through 1988, centers and subcenters on average applied about \$3 to counseling for every \$1 they applied to client training--the area which received the second greatest emphasis. The median counseling cost per client was about \$300.

Most client counseling was provided by in-house staff, faculty, and students and, to a lesser extent, by private sector consultants. Centers and subcenters employ professional and support staff on both a full-time and part-time basis. The average number of staff was 20 for centers and 5 for subcenters. Center and subcenter directors were most often male, white, and 31 to 50 years old. Most had attained a professional or graduate degree and had several years prior experience in business-related activities; the most frequent type of experience was in private industry.

While most centers and subcenters used private sector consultants to some extent, they were used to counsel 20 percent or less of their clients. Many centers and subcenters had an upper dollar limit that could be paid to consultants. The average dollar limit per hour was between \$30 and \$40.

CHARACTERISTICS OF CLIENTS COUNSELED

Client survey results showed that 62 percent of clients were male and 81 percent were white. Nearly half were from 31 to 40

years old and about 83 percent had some college experience or a college degree. In addition, about half were in business when they contacted the program and about two-thirds were in business at the time we contacted them. Most clients were in or planned to be in the retail or service sector. Of those in business when we contacted them, about three-fourths had one to four full-time employees. Few clients wanted or received assistance in obtaining government contracts. Of those who received this assistance, about a third were minorities.

SOURCES OF PROGRAM FUNDING

Centers receive program funding from SBA through annual cooperative agreements. In addition, they receive funding from state and local sources. Through fiscal year 1990, federal funds made available for the SBDC program totaled about \$298 million; funding has increased annually from \$360,000 for 9 centers in fiscal year 1977 to \$50 million for 56 centers in fiscal year 1990.

In program years 1986 through 1988, nonfederal amounts represented about 58 percent of the total program funding and were primarily contributed by colleges and universities. During the same period, contributions from states represented about 14 to 17 percent of total program funding, increasing from \$8.5 million to \$13.8 million.

To obtain federal SBDC program funding, SBA requires centers to annually submit detailed proposals describing their programs for the coming year. SBA and the Association of Small Business Development Centers believe that the current annual approval process is a time-consuming administrative effort, particularly for established centers whose programs do not change significantly from year to year. To reduce centers' annual administrative burden associated with applying for funds, SBA is considering the feasibility of using a multiyear approval process that would allow

SBA to approve proposals covering a 3-year rather than a 1-year period for long-established centers; funding would remain subject to annual appropriations being provided. We believe the multiyear approval process offers potential for reducing the administrative burden associated with an annual proposal process, thus making additional staff time available to serve clients.

ON-SITE REVIEWS ARE USEFUL

SBA is required by law to conduct on-site reviews of centers' operations at least every 2 years. The on-site review process requires each center to prepare a written self-study of its operations prior to arrival of a review team, which is composed of one or two SBA representatives and one or two SBDC personnel from other centers. Using the completed self-study as a guide, the review team performs an on-site evaluation of the center's operations, prepares a written report, and, where appropriate, develops recommendations for program improvements. As of March 1990, all of the centers had been reviewed at least once.

SBA, the Association, and center directors believe that on-site reviews are generally useful. They believe these reviews provide a means of exchanging ideas and provide data on program operations not otherwise available. Further, center directors advised us that recommendations made by the review teams are useful and are generally implemented.

SBA and Association officials and some center directors also told us that programs that have been operating for several years do not change significantly from year to year; therefore, they questioned the need for conducting on-site reviews every 2 years. SBA preferred a system that based frequency on factors such as the age of center operations or indications of problems. Others suggested reviews be conducted once every 3 to 4 years for centers that have been operating for several years.

We believe that on-site reviews are serving a useful purpose for SBA and center directors even though both have questioned the frequency of these reviews. We believe on-site reviews provide SBA with details on individual centers' operations that are not otherwise available and also provide an effective forum for the exchange of ideas among those responsible for implementing the SBDC program.

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In summary, Mr. Chairman, we found that Small Business Development Centers are meeting the counseling needs of most clients. A high percentage of clients are satisfied with the help they received and believe they were assisted quickly. They also believe that they received the kind and amount of assistance they wanted, and most would use the program again if they had similar needs in the future. Also, the improvements being considered by SBA should further enhance the services provided by centers.

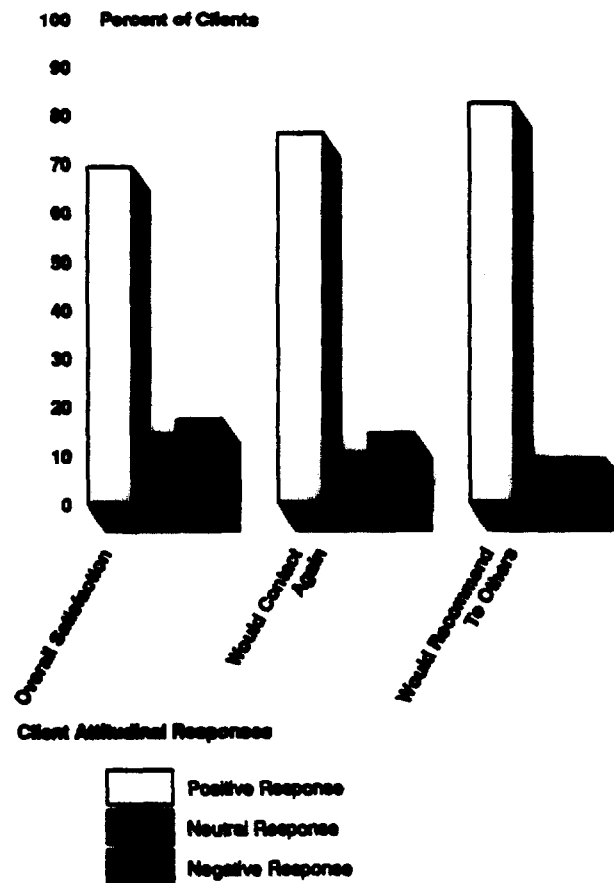
Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions you or Members of the Committee may have.

Counseling Requested And
Received By SBDC Clients

<u>Topic</u>	<u>Percent of clients^a</u>	
	<u>Assistance wanted</u>	<u>Assistance received</u>
General planning:		76
General business advice	56	54
Starting a business	57	47
Changing a business	5	3
Advertising/marketing/developing a product/service overseas	7	4
Advertising/marketing/developing a product/service in the United States	35	25
Financial:		40
Filling out loan applications/ other forms	19	11
Applying for government contracts/ grants	16	7
Requesting a loan from the center	18	4
Identifying sources of money/capital	32	17
Help with accounting or bookkeeping	24	17
Technical:		48
Legal advice	15	9
Tax information	20	16
Use of computers/special equipment	8	5
Business training	13	9
Referrals to other sources for assistance	33	26
Business-related publications	17	15
Other	6	4

^aPercentages exceed 100 because some clients wanted and/or received assistance in more than one category.

Clients Had Positive Attitudes
About SBDC Counseling



Clients Generally Received
The Amount of Assistance Wanted

